



The Real Estate ANALYST

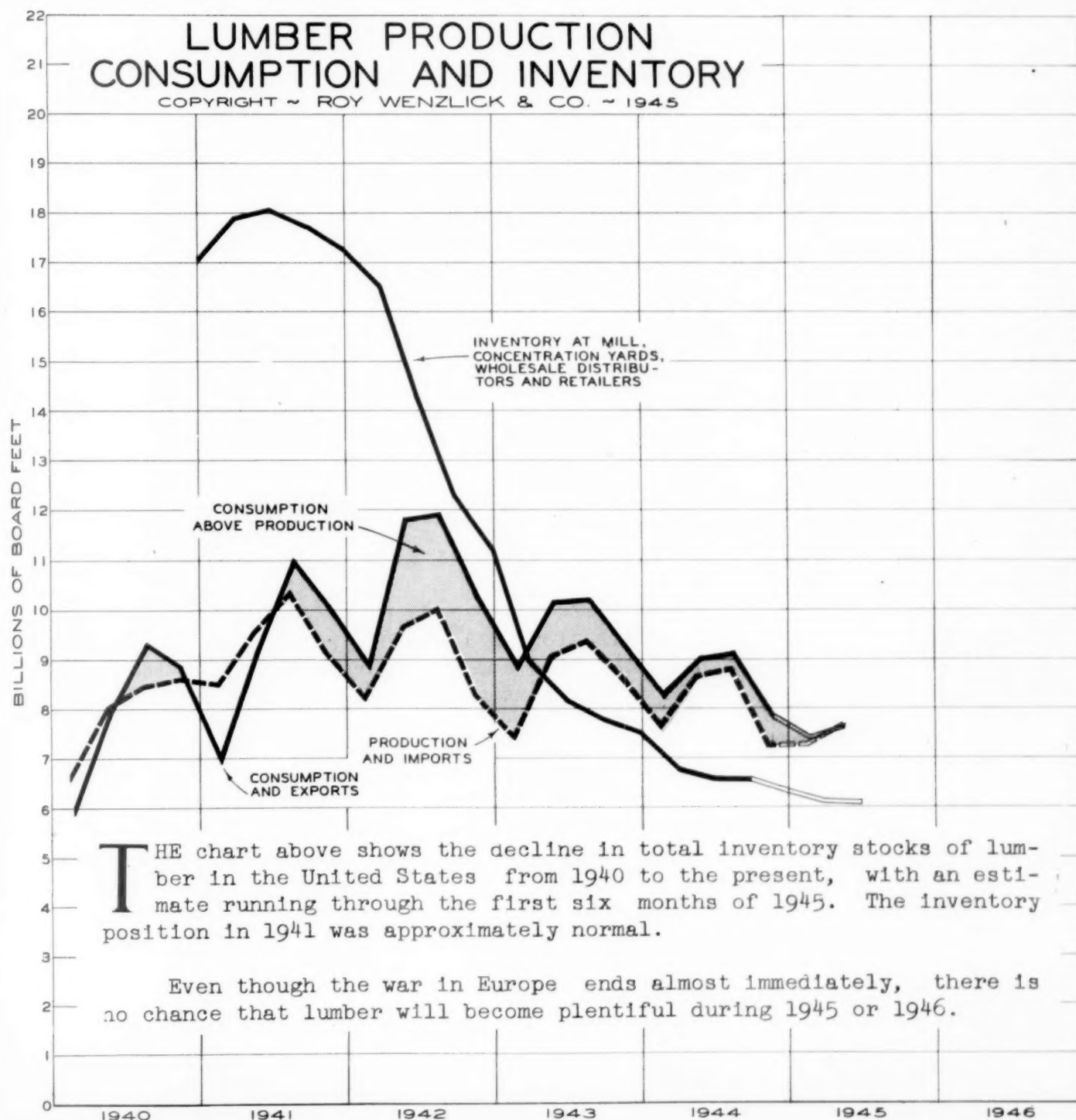
MARCH
1945

Roy Wenzlick
Editor

VOLUME XIV

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS



THE chart above shows the decline in total inventory stocks of lumber in the United States from 1940 to the present, with an estimate running through the first six months of 1945. The inventory position in 1941 was approximately normal.

Even though the war in Europe ends almost immediately, there is no chance that lumber will become plentiful during 1945 or 1946.

CHANGES IN POPULATION TO JULY 1, 1940

In spite of the large number of persons in the armed services in foreign countries on July 1, 1944, the total population within the continental United States showed an increase of 894,000, according to the United States Census. The distribution of population in 1944, however, was quite different than it had been four and a quarter years earlier. North Dakota had a population 17.7 per cent smaller than it had on the official census date in 1940, while Nevada had a population 41.9 per cent larger. These are the two extremes.

The population of the South and West increased by nearly four million persons between 1940 and 1944. During this same period the population of the North decreased by nearly three million. This was partially due to the fact that many army camps and training posts are located in the South, although civilian population changes have been an important factor in most of the States in the final increases or decreases.

From the standpoint of the largest increase in numbers, California leads the entire country with 1,840,000 increase. The largest decrease in numbers in the entire country is for the State of New York, with a loss of 846,000.

Were this report based solely on civilian population, the relative picture would be somewhat similar, with the exception that the southern States would not show up quite so well as they do with the addition of military personnel. On civilian population only, California is still first from the standpoint of a numerical gain, and New York State also has the greatest numerical loss. On a percentage basis on civilian population only, Nevada still has the largest percentage gain, with the exception of the District of Columbia, and North Dakota has the largest percentage loss.

As a general thing it is our opinion that the areas which have gained most rapidly during the war period will retain a large part of their gains, and the areas which have lost most heavily will have great difficulty in regaining their relative position.

During the period of demobilization all States will gain, and in many communities housing shortages which will slacken during the reconversion period will again become acute as demobilization progresses.

One of the amazing things during this war period to the average public has been the development of a housing shortage when approximately 10 per cent of the population were housed by the government in camps. Many persons expected this to cause a doubling up of families due to this fact, but it has not been sufficient to offset the number of new families created and the migrations to the cities from the farms.

Marriages which have taken place in the last few years have not resulted in individual family units. During the demobilization period the marriage rate will rise and at the same time many couples married during the war will set up housekeeping for the first time. It will be impossible in most cities to augment the housing supply fast enough to take care of the demand which will increase rapidly. Any loss due to outmigrations of war workers in the average city will be easily offset.

ESTIMATED POPULATION OF THE UNITED STATES, BY STATES: JULY 1, 1944,
WITH COMPARATIVE FIGURES FOR APRIL 1, 1940
(Armed forces overseas are excluded)

State	July 1, 1944	April 1, 1940	Change between April 1, 1940 and July 1, 1944	
			Number	Percent
UNITED STATES	132,563,271	131,669,275	+893,996	+0.7
Alabama	2,818,083	2,832,961	+14,878	+0.5
Arizona	638,412	499,261	+139,151	+27.9
Arkansas	1,776,446	1,949,387	-172,941	-8.9
California	8,746,989	6,907,387	+1,839,602	+26.6
Colorado	1,147,259	1,123,296	+23,963	+2.1
Connecticut	1,776,807	1,709,242	+67,565	+4.0
Delaware	283,802	266,505	+17,297	+6.5
District of Columbia	926,260	663,091	+263,169	+39.7
Florida	2,367,217	1,897,414	+469,803	+24.8
Georgia	3,223,727	3,123,723	+100,004	+3.2
Idaho	531,573	524,873	+6,700	+1.3
Illinois	7,729,720	7,897,241	-167,521	-2.1
Indiana	3,419,707	3,427,796	-8,089	-0.2
Iowa	2,269,759	2,538,268	-268,509	-10.6
Kansas	1,774,447	1,801,028	-26,581	-1.5
Kentucky	2,630,194	2,845,627	-215,433	-7.6
Louisiana	2,535,385	2,363,880	+171,505	+7.3
Maine	793,600	847,226	-53,626	-6.3
Maryland	2,127,874	1,821,244	+306,630	+16.8
Massachusetts	4,162,815	4,316,721	-153,906	-3.6
Michigan	5,429,641	5,256,106	+173,535	+3.3
Minnesota	2,508,663	2,792,300	-283,637	-10.2
Mississippi	2,175,877	2,183,796	-7,919	-0.4
Missouri	3,589,538	3,784,664	-195,126	-5.2
Montana	464,999	559,456	-94,457	-16.9
Nebraska	1,213,792	1,315,834	-102,042	-7.8
Nevada	156,445	110,247	+46,198	+41.9
New Hampshire	457,231	491,524	-34,293	-7.0
New Jersey	4,167,840	4,160,165	+7,675	+0.2
New Mexico	532,212	531,818	+394	+0.1
New York	12,632,890	13,479,142	-846,252	-6.3
North Carolina	3,534,545	3,571,623	-37,078	-1.0
North Dakota	528,071	641,935	-113,864	-17.7
Ohio	6,836,667	6,907,612	-70,945	-1.0
Oklahoma	2,064,679	2,336,434	-271,755	-11.6
Oregon	1,214,226	1,089,684	+124,542	+11.4
Pennsylvania	9,247,088	9,900,180	-653,092	-6.6
Rhode Island	778,972	713,346	+65,626	+9.2
South Carolina	1,923,354	1,899,804	+23,550	+1.2
South Dakota	558,629	642,961	-84,332	-13.1
Tennessee	2,870,158	2,915,841	-45,683	-1.6
Texas	6,876,248	6,414,824	+461,424	+7.2
Utah	606,994	550,310	+56,684	+10.3
Vermont	310,941	359,231	-48,290	-13.4
Virginia	3,199,115	2,677,773	+521,342	+19.5
Washington	2,055,378	1,736,191	+319,187	+18.4
West Virginia	1,715,984	1,901,974	-185,990	-9.8
Wisconsin	2,975,910	3,137,587	-161,677	-5.2
Wyoming	257,108	250,742	+6,366	+2.5

APARTMENT BONDS RISING RAPIDLY

THE index on Apartment Bond Prices, given in table form and charted below, attempts to measure prices since 1931. It was found impossible to carry the index back further as in most cases, prior to 1931, the market for real estate bonds was artificially supported by the underwriting house regardless of the condition of the individual property. The declines in all issues came at the time when the underwriters stopped supporting the market.

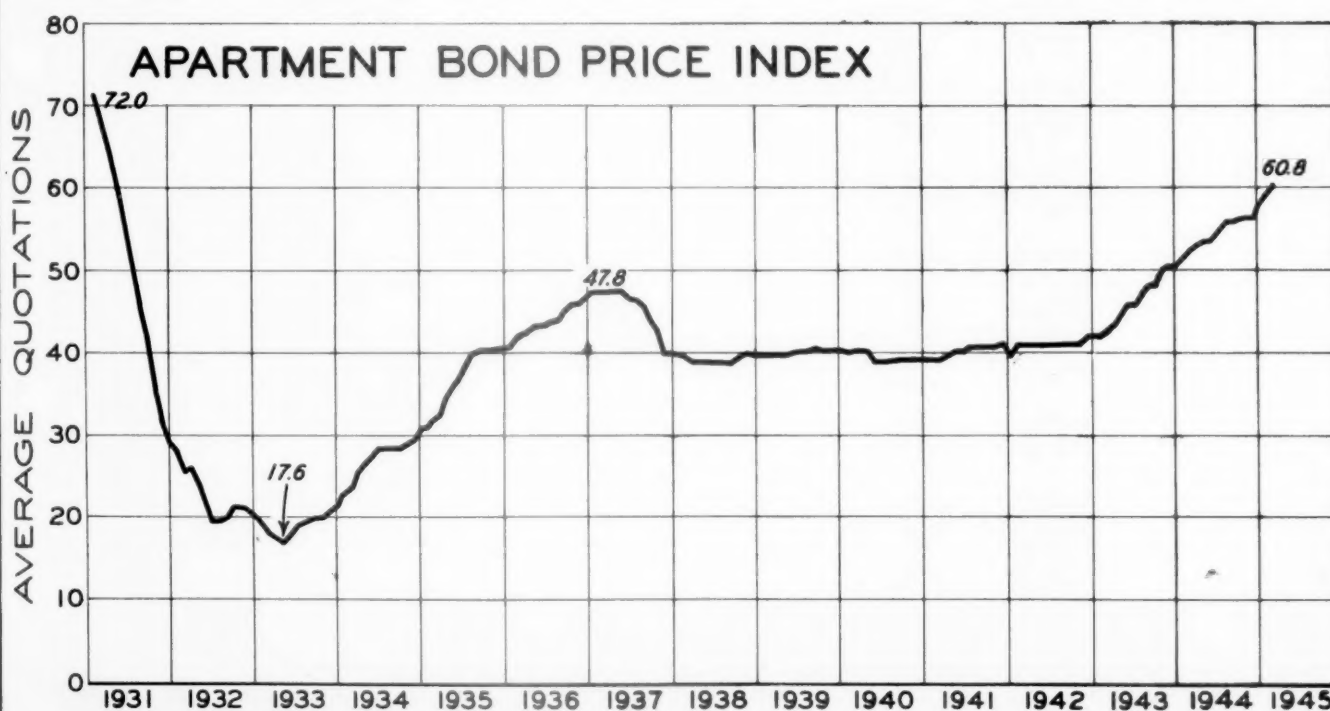
The 25 issues selected for this index cover properties in 14 cities. These particular issues were selected because they are sufficiently active to secure regular quotations. Issues with complicated reorganization plans have been avoided.

Apartment bonds have increased by 48 per cent since the war started in Europe. During the past year they have increased 14.7 per cent. They are now 244 per cent above the low of 1933.

These rises in apartment bond prices have been made in spite of rent control. In a free market the rise would have been much greater.

INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
1	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6
2	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8
3	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	
4	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	
5	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	
6	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	
7	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	
8	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	
9	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	
10	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	
11	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	
12	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	



RESIDENTIAL CONSTRUCTION COSTS

EACH month in the Executive Digest we report the construction costs in St. Louis of a standard six-room frame residence. The figures on this St. Louis house are available from 1913 to the present in great detail. Periodically, however, a comparison is shown with construction costs in other cities, such as the one on pages 86 to 92. On these charts the red line shows the average (median) of all cities.

It will be noticed immediately that in many cities building costs over the entire period have been relatively high, while in other cities they have been relatively low. The lower figure in southern cities is not due to a less expensive house, as the same specifications are used throughout the entire country.

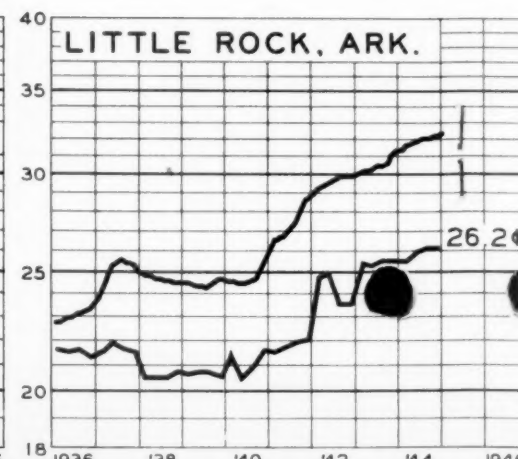
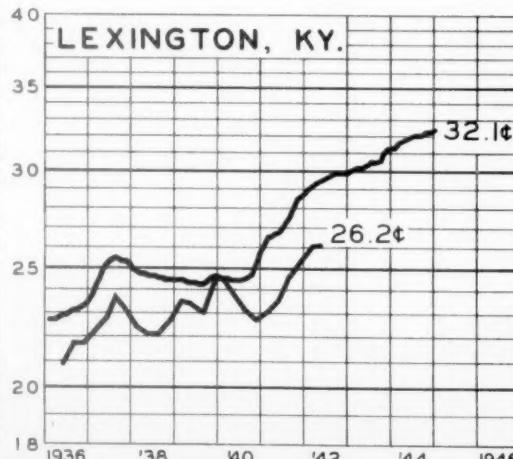
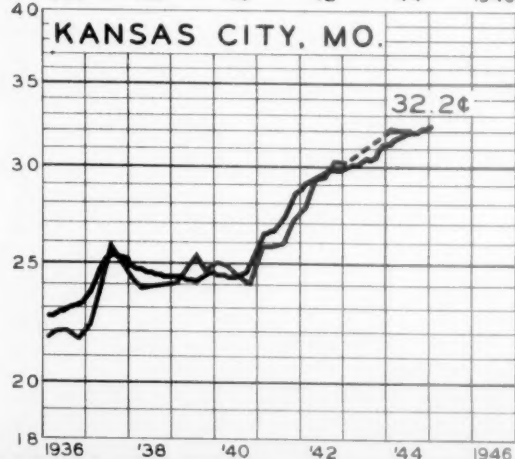
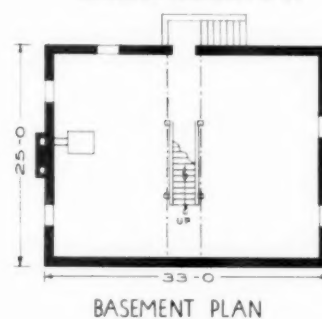
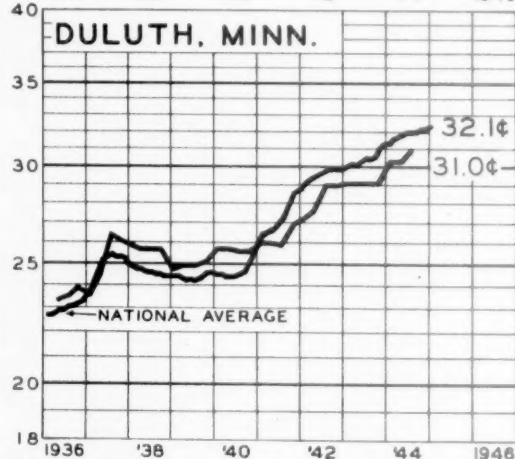
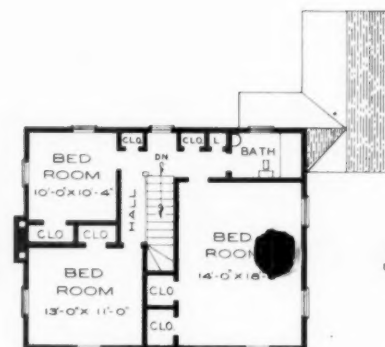
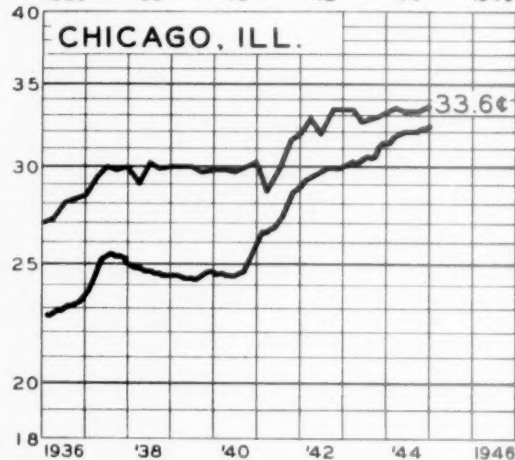
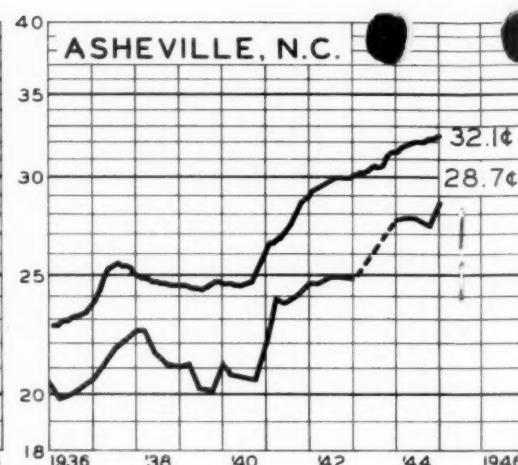
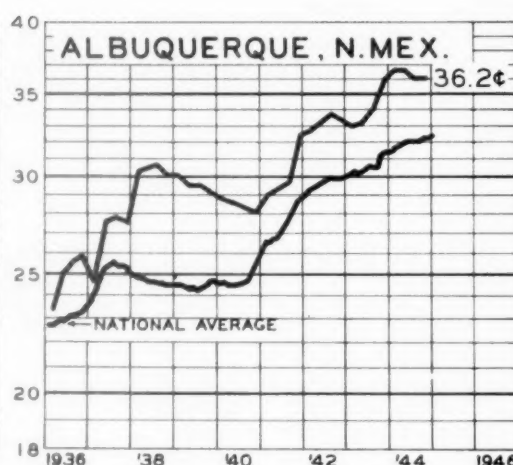
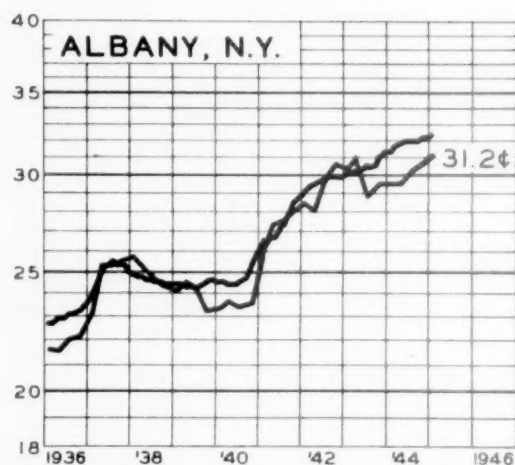
The rise in cost during the war has varied considerably in various communities. In Great Falls, Montana, for instance, building costs have advanced by a relatively small amount. In Los Angeles, California, the rise has been approximately 50 per cent. In Birmingham, Alabama, the rise has been greater still, but started from a much lower level.

Construction costs are of great importance today in testing market values. In many cities at the present time properties are selling above their present replacement cost new. This is due to the scarcity factor, and the amount above replacement cost constitutes a premium which is paid for immediate housing. This premium in some communities is running from 30 to 50 per cent above replacement costs. If replacement costs stay at their present level, and if a sizable volume of construction develops in the early post-war period this premium will naturally dwindle, as most people would prefer a new house at the same price to one which already shows signs of physical deterioration and obsolescence. In an active market the values of existing buildings will never rise very much above their replacement cost.

There is considerable question as to whether post-war building costs will be lower than present building costs. This fact will depend on the length of the war, on the further increases in wage rates and on the effectiveness of price control machinery during the transition period. If the war continues through 1945 and into 1946, the necessities of war financing will bring about continued monetary and credit inflation, with an insistent demand for upward wage readjustments. If after the end of the war in Europe the American public no longer willingly complies with price control regulations, black markets may grow at a rate which will result in rapid price increases.

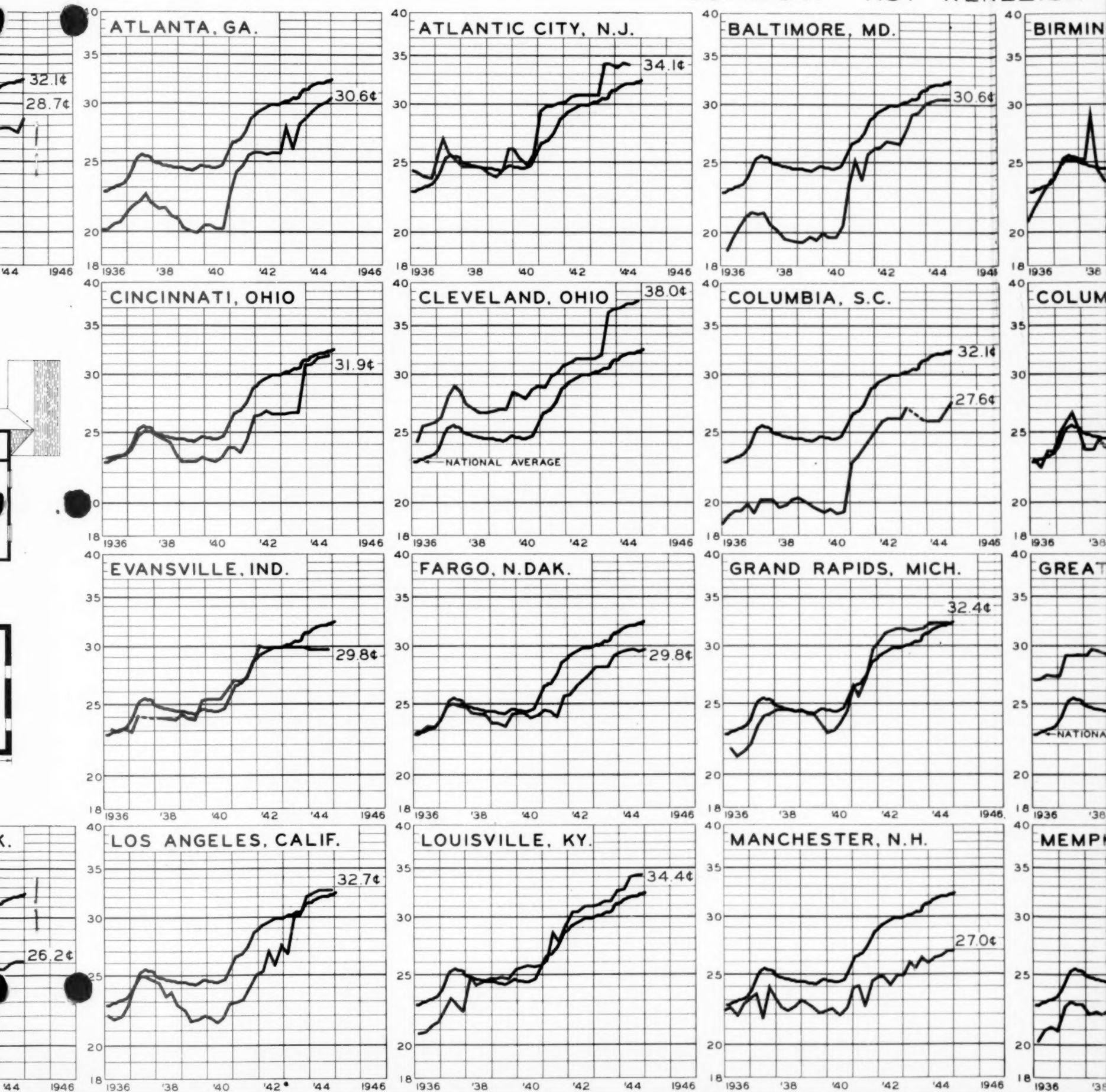
There is considerable doubt as to whether new building can start rapidly after the end of the war in Europe. In our opinion lumber is still going to be extremely scarce and it will probably be some time in 1946 before enough lumber can be spared to take care of any volume of residential building.

Without being able to answer positively at the present time the question of whether high market prices for residential real estate in certain communities will subside in the post-war period, it is important to remember the possibility that the slow recovery of the building industry may continue the shortage during a period in which construction costs may continue to rise, and that by the time that new building can start, building costs may be so high that they will support many values now considered excessive.



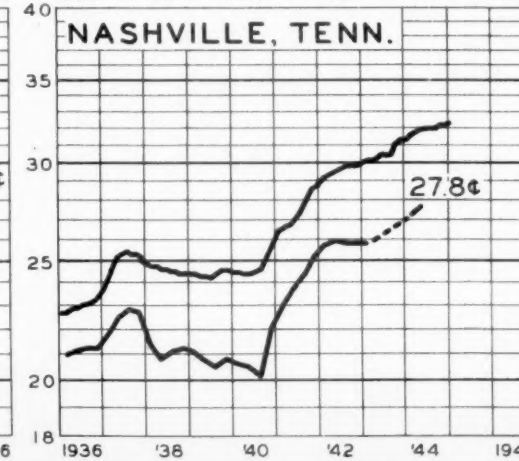
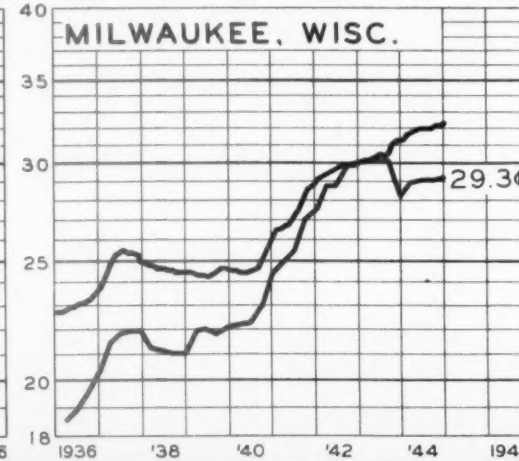
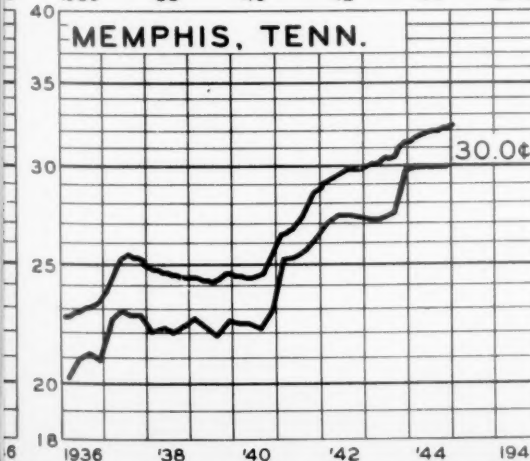
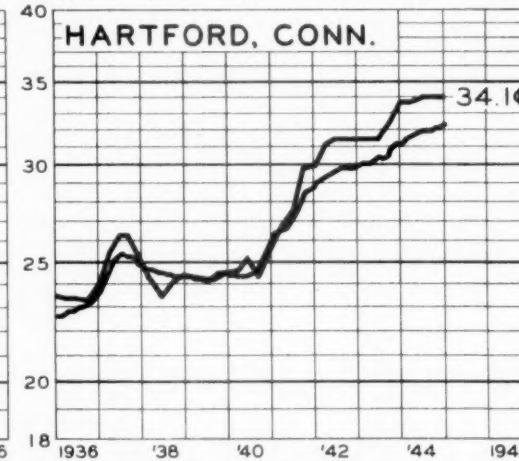
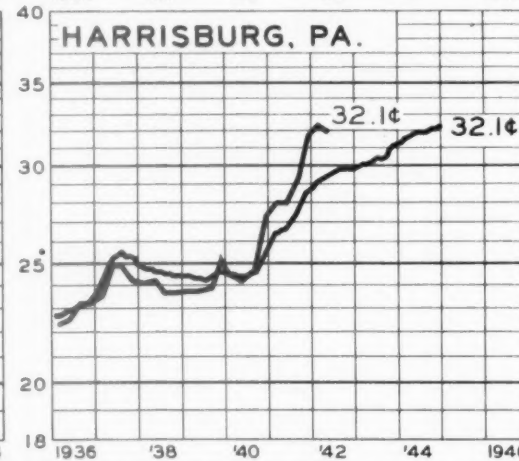
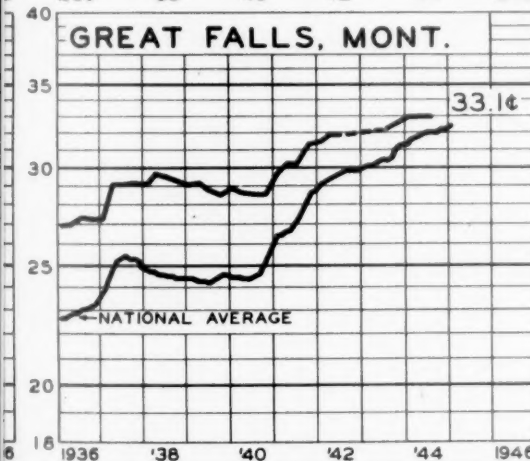
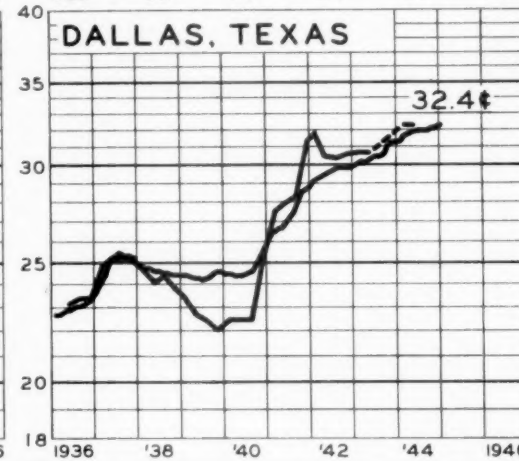
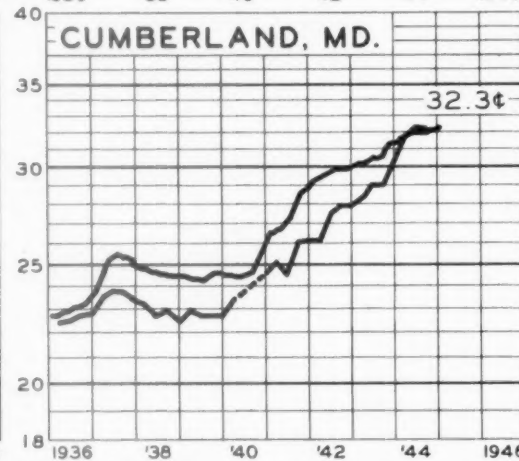
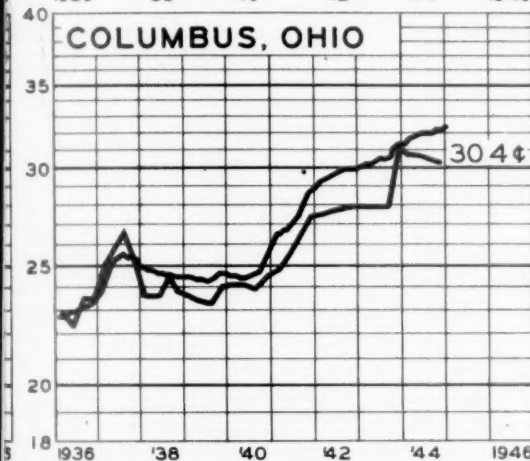
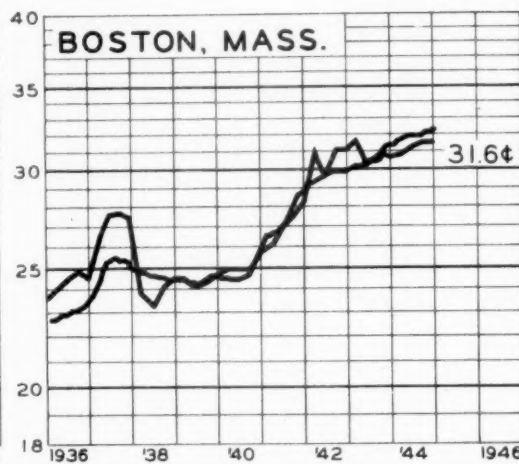
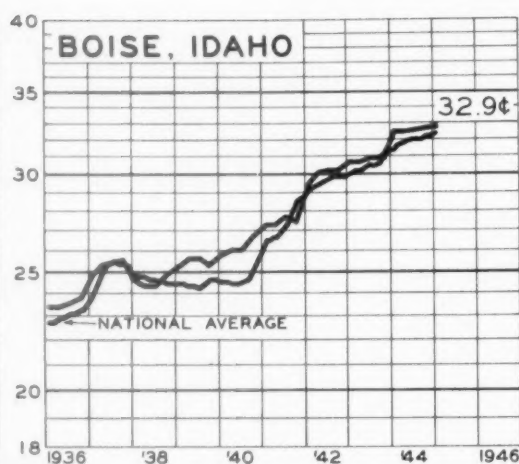
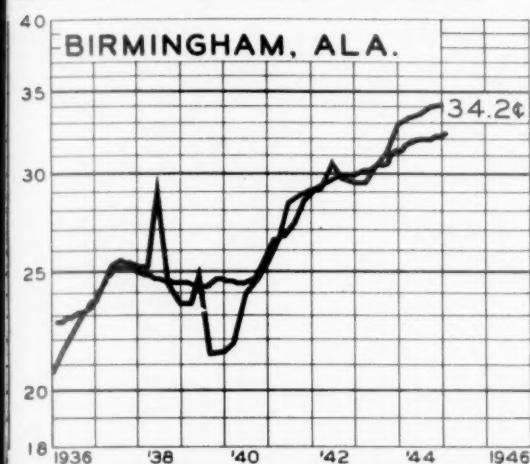
FLUCTUATIONS IN CONSTRUCTION COSTS

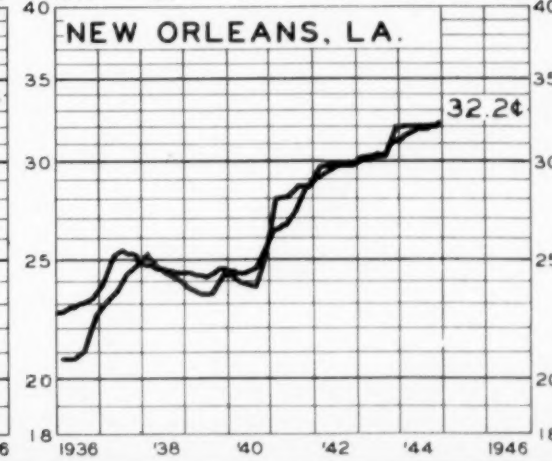
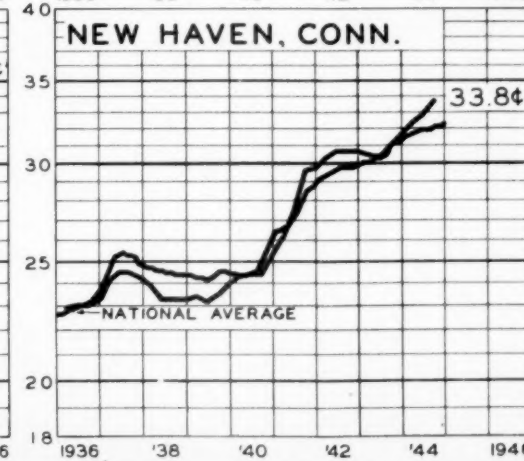
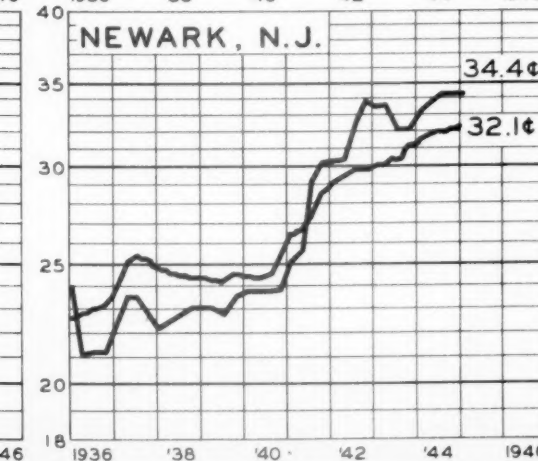
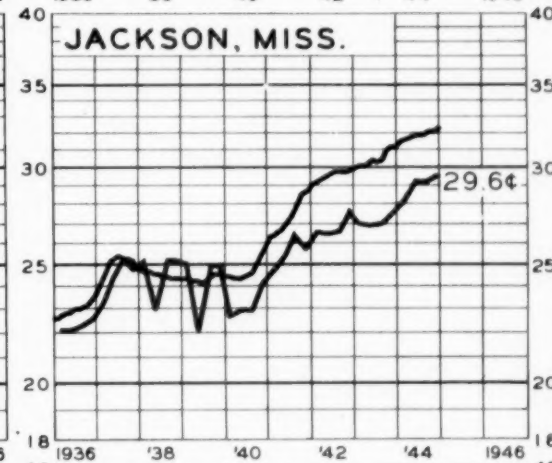
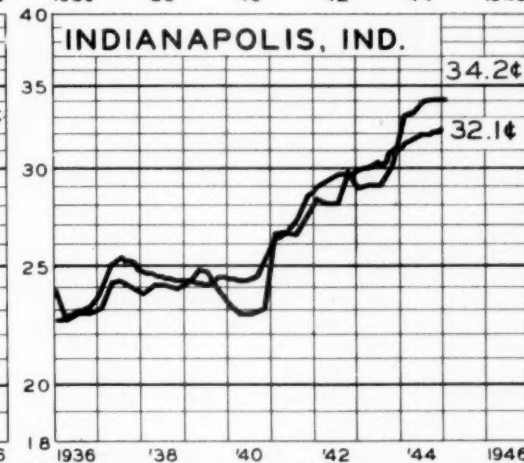
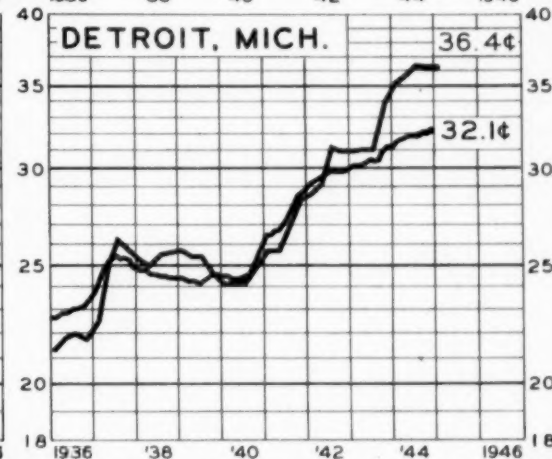
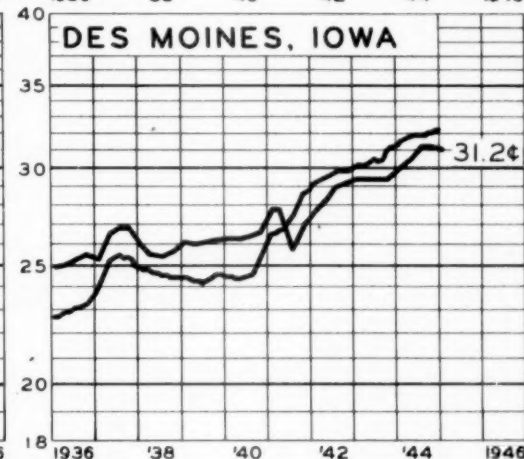
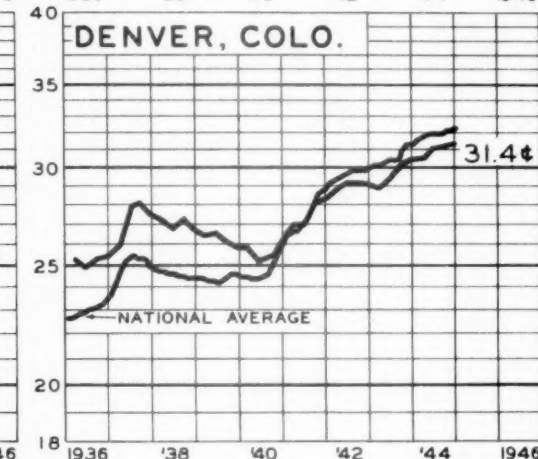
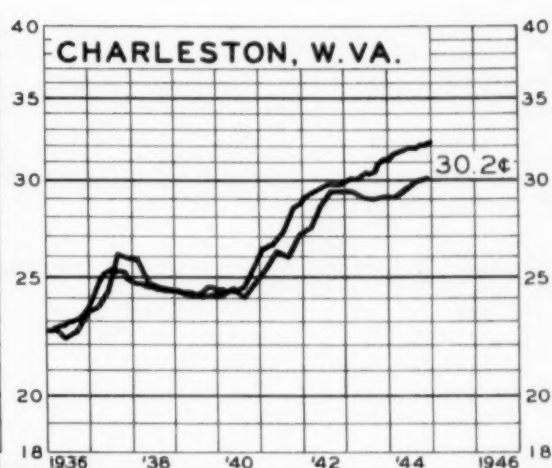
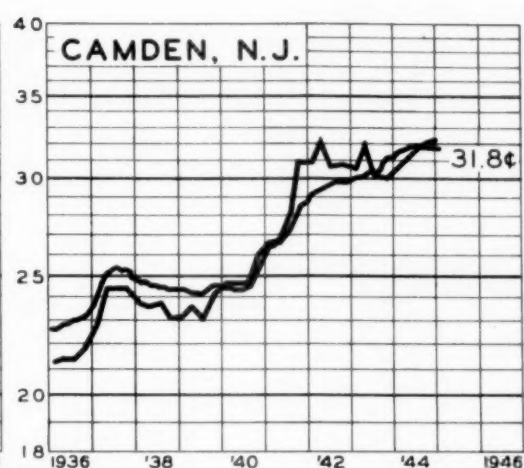
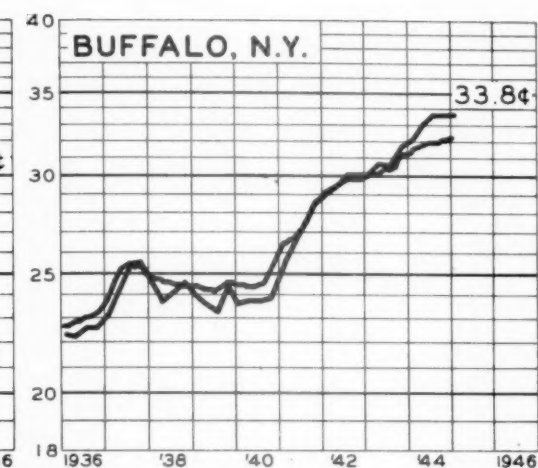
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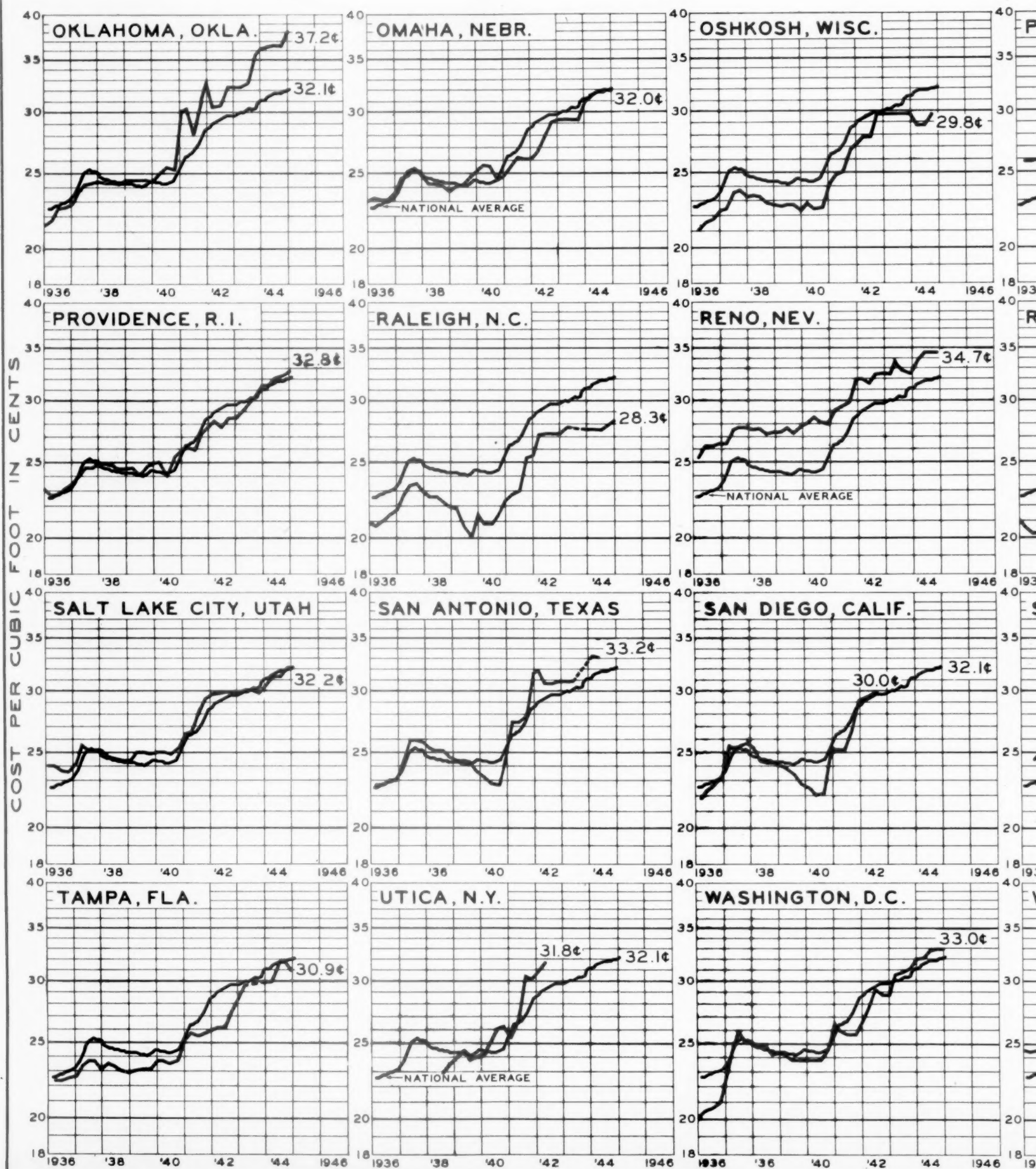
STS PER CUBIC FOOT IN 80 CITIES

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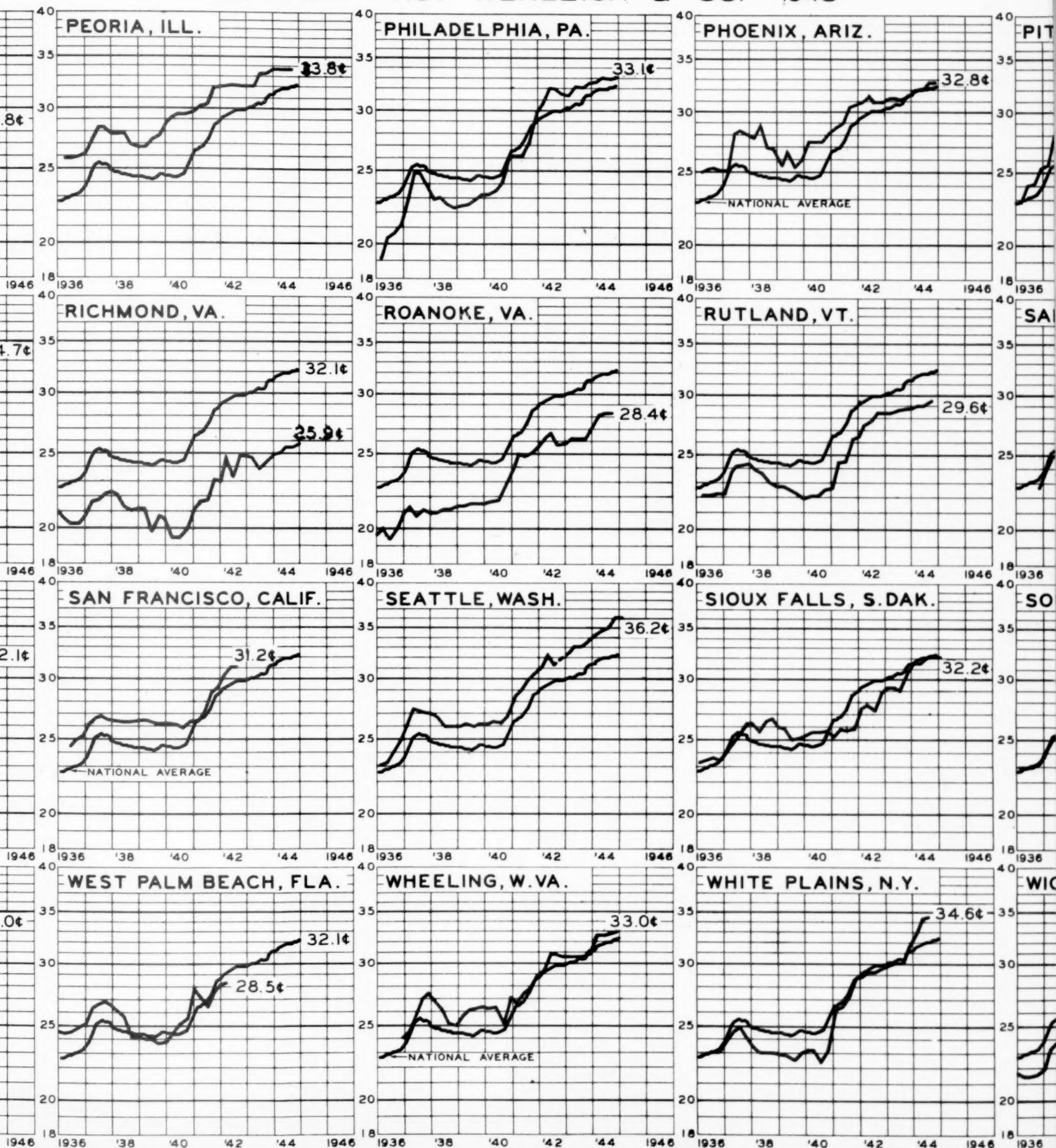


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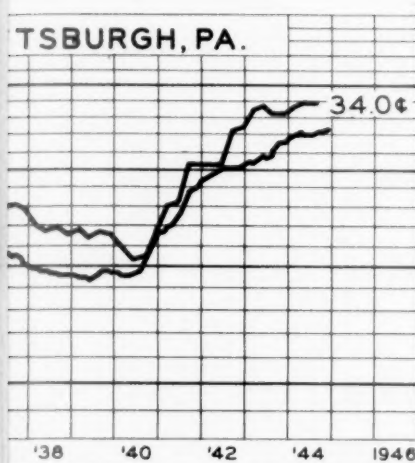
CONSTRUCTION COSTS PER CUBIC FOOT

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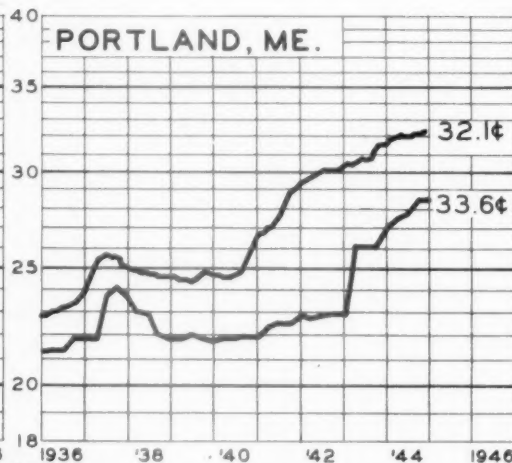


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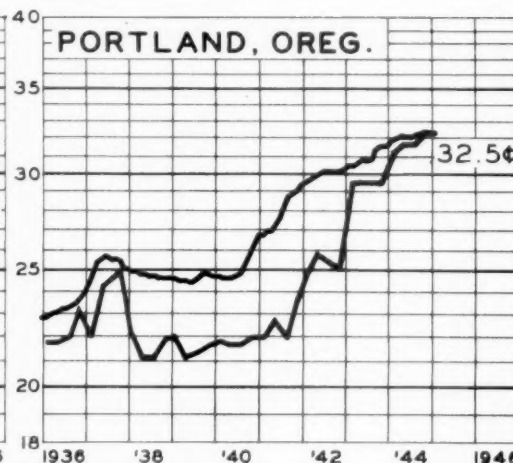
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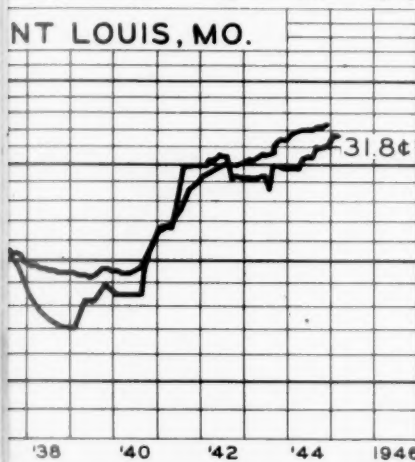
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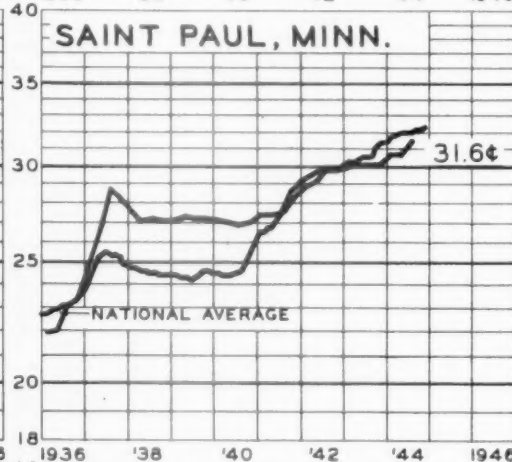
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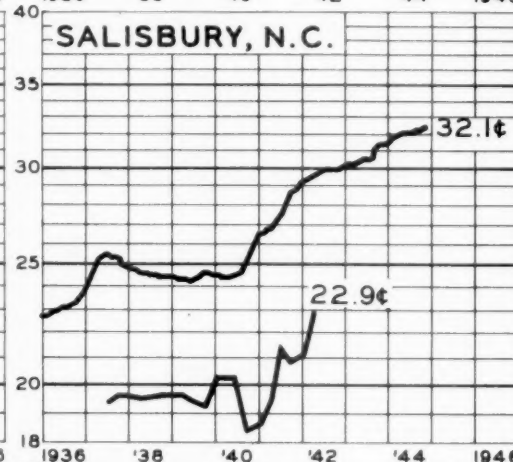
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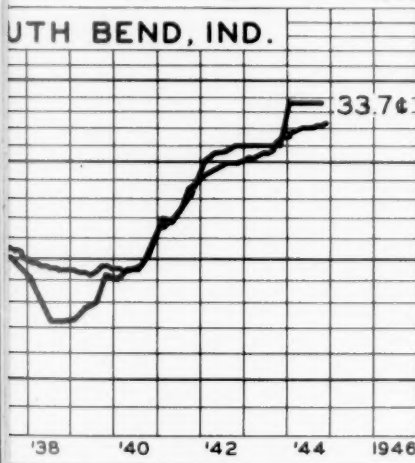
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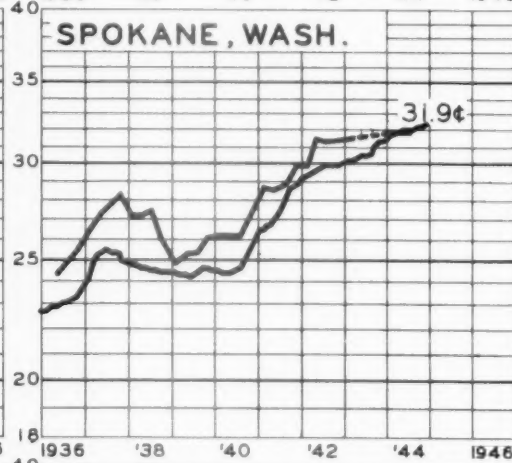
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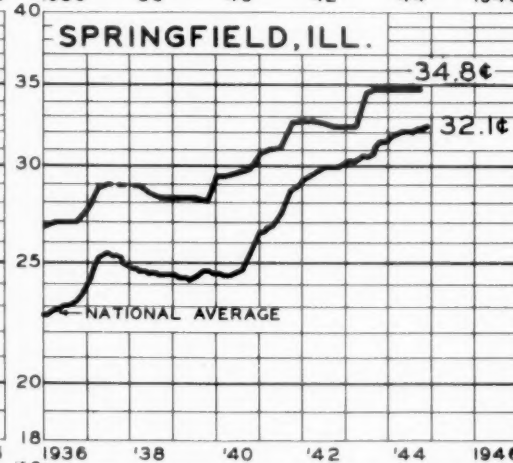
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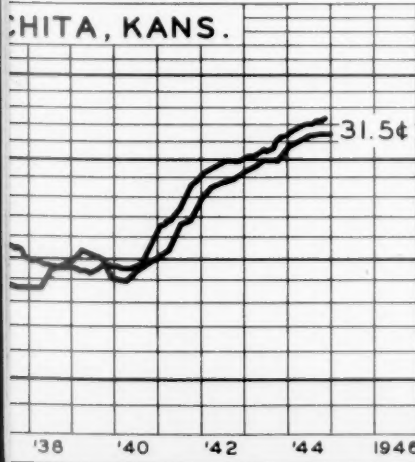
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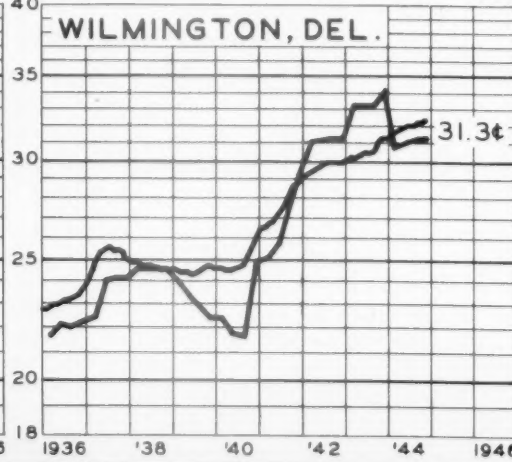
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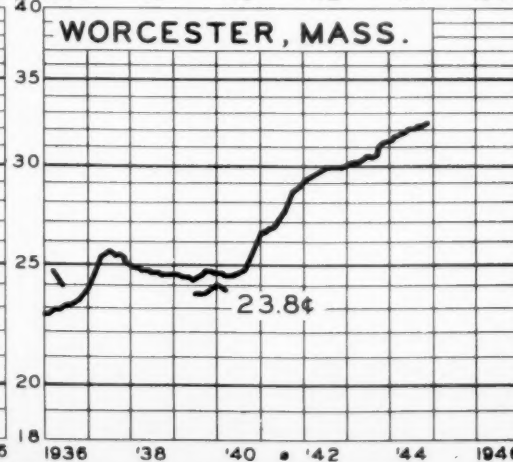
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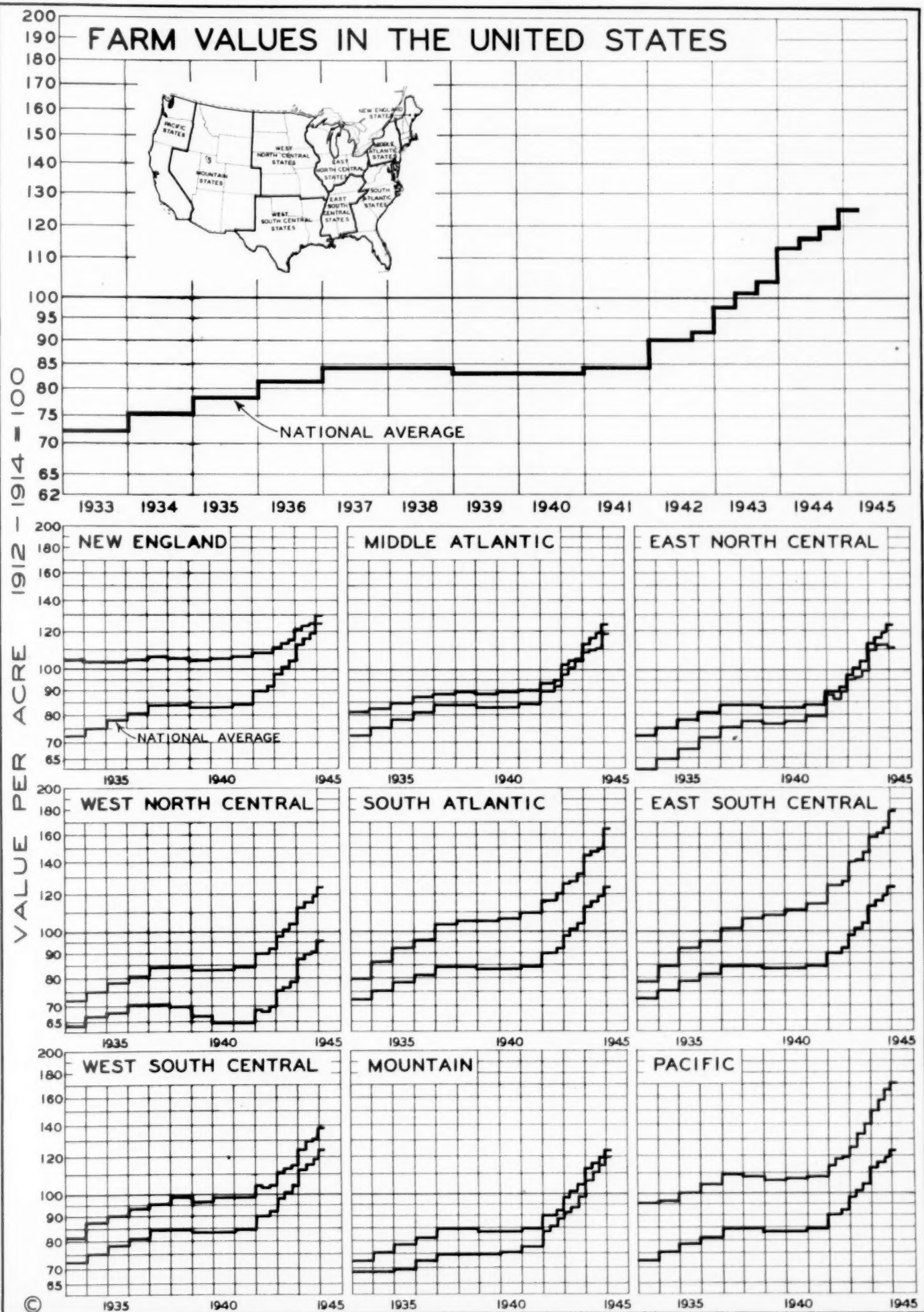


WILMINGTON, DEL.



WORCESTER, MASS.



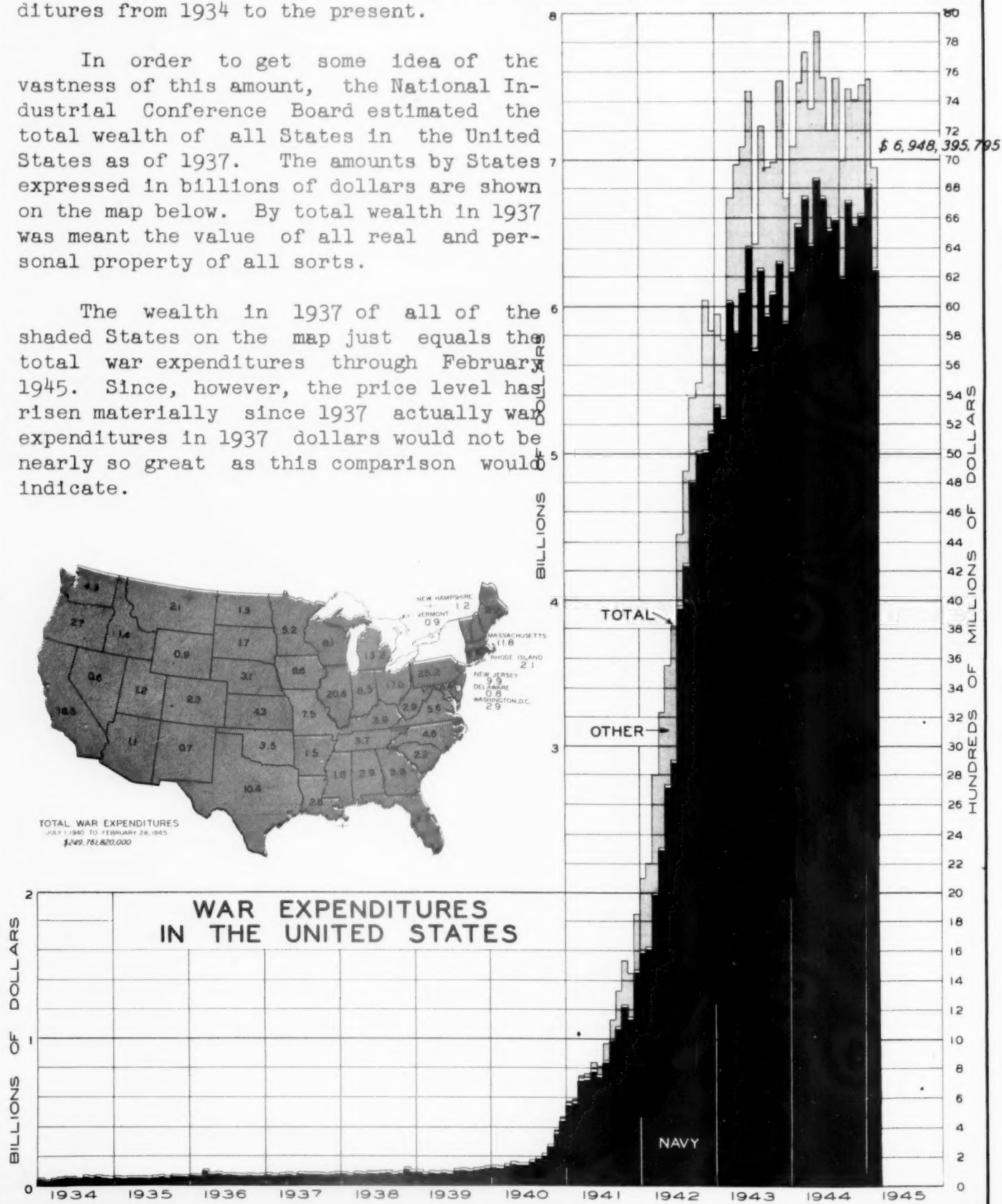
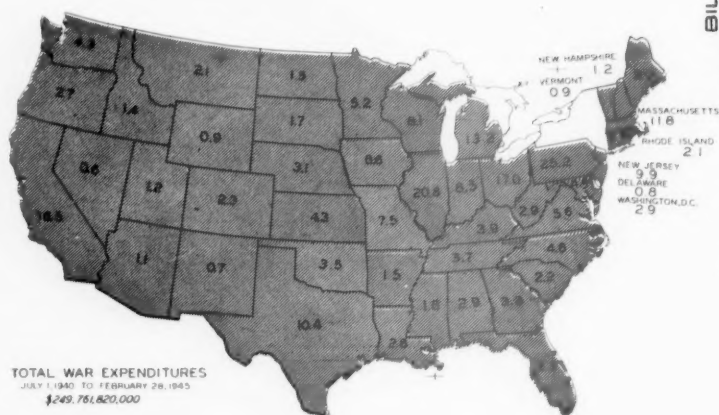


WAR EXPENDITURES

DURING February war expenditures totaled \$6,948,395,795. This is considerably below the peak which was passed some time ago. During the balance of 1945 war expenditures should diminish. Our total war expenditures from July 1, 1940, to February 28, 1945, were \$249,761,820,000. This amounts to approximately \$6,700 per family. The accompanying chart shows these expenditures from 1934 to the present.

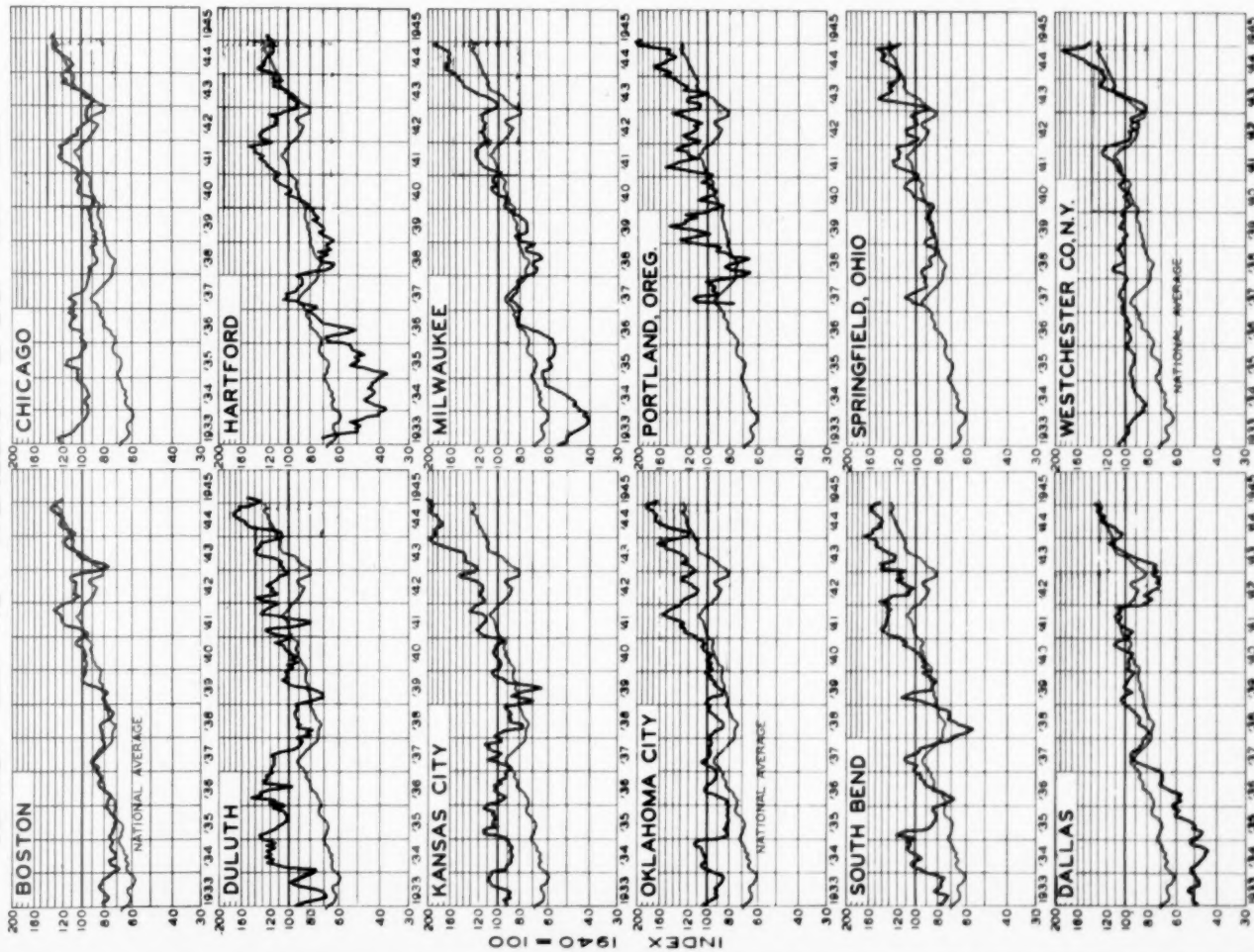
In order to get some idea of the vastness of this amount, the National Industrial Conference Board estimated the total wealth of all States in the United States as of 1937. The amounts by States expressed in billions of dollars are shown on the map below. By total wealth in 1937 was meant the value of all real and personal property of all sorts.

The wealth in 1937 of all of the shaded States on the map just equals the total war expenditures through February 1945. Since, however, the price level has risen materially since 1937 actual war expenditures in 1937 dollars would not be nearly so great as this comparison would indicate.



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